

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2016/2017

DFA5018 – FINANCIAL ACCOUNTING 1

(For Diploma Students Only)

10 OCTOBER 2016

9:00am – 12:00noon

(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 7 pages with 4 questions.
2. Write your answers in the answer booklet provided.
3. Answer ALL questions.

QUESTION 1**Part A**

Answer the following independent questions:

1. There are **TWO (2)** categories of users who are interested with the financial information of a company. Identify and provide any **FOUR (4)** examples of each of the category.
(5 Marks)
2. Based on the faithful representation requirements sets under the Malaysian Financial Reporting Standards MRFS 101 – Presentation of Financial Statements, provide any **TWO (2)** brief explanations regarding on the faithful representation in preparing and presenting the financial report.
(2 Marks)
3. Provide any **FOUR (4)** items to be presented on the face of the Statement of Changes in Owner's Equity according to the MFRS 101 – Presentation of Financial Statements.
(2 Marks)

Part B

Brave Company, owned by Ben Grey incurred the following transactions for the month of May 2016 with beginning accounts balances such as: Cash, RM23,000; Accounts Receivable, RM4,000; Supplies, RM5,500; Accounts Payable, RM2,500; Ben Grey's Capital, RM30,000.

1. Purchased studio equipment RM6,000 on account. (*Example answer as below*)
2. Paid RM1,000 cash for the monthly office rent.
3. Ben Grey invested additional capital of RM5,000 cash in the business.
4. Received RM1,400 cash from customers for services billed in the month of May.
5. Provided studio services to the customers in the month of May for RM3,860 cash.
6. Paid RM450 cash for the monthly utility bills.
7. Ben Grey withdrew RM2,500 from the business for personal use.
8. Incurred advertising expense for the month RM380 and paid by cash.

Instructions:

- (a) Starting from transaction (2), identify the impact on the accounting equation. For example answer (1): *Increase Assets (Studio Equipment), Increase Liabilities (Accounts Payable)*.
(7 Marks)
- (b) Prepare the Statement of Owner's Equity for the Month Ended 31 May 2016. Show any necessary calculations on the side of the items presented.
(4 Marks)

Continued...

- (c) Prepare the classified Statement of Financial Position as at 31 May 2016. Show any necessary calculations on the side of the items presented.

(5 Marks)

(TOTAL 25 MARKS)

QUESTION 2

Part A

Clara is a dentist and opened her own clinic, Clara Clinic on 1 January 2016. During the first month of operation, the following events and transactions occurred.

- Jan 1 Invested RM50,000 cash in the business.
- 1 Hired administrative officer at a salary of RM2,000 per month.
 - 3 Paid RM1,000 cash for office rent expense for the month.
 - 5 Purchased RM4,500 of dental supplies on account from Peak Company.
 - 8 Purchased surgery equipment costing RM13,000. A cash payment of RM3,000 was made immediately; the remainder will be paid in 5 months.
 - 10 Paid RM1,000 cash for a one-year insurance policy of the clinic.
 - 15 Provided dental services and billed clients RM3,200.
 - 18 Received RM1,400 cash advance from Tim Bern for future implant surgery.
 - 22 Received RM2,500 cash for services completed and delivered to Jimmy Den.
 - 26 Paid RM2,000 cash for administrative officer salary for the month.
 - 30 Paid RM4,500 cash to Peak Company for accounts payable due from 5 January.

Clara uses the following accounts: Cash; Accounts Receivable; Dental Supplies; Surgery Equipment; Prepaid Insurance; Accounts Payable; Unearned Revenue; Clara's Capital; Service Revenue; Salaries Expense; and Rent Expense.

Instruction:

Journalize the above transactions. You may omit explanations.

(11 marks)

Part B

Below is a list of deferred and accrued transactions for Woody Company for the month of June 2016. The company's Supplies account before adjustment amounted RM2,300.

1. Earned but unbilled revenue amounted RM2,850.
2. Depreciation on Equipment for the month amounted RM200.
3. The company's insurance has expire for 6 months, with each month amounted RM170.
4. An inventory count shows only RM800 of Supplies on hand as at 30 June 2016.
5. Accrued employee salaries amounted RM1,500.

Instruction:

Journalize the above adjusting transactions.

(5 Marks)

Part C

The adjusted trial balance of Peanut Paint Company, owned by Amber occurred at the end of its fiscal year as below:

PEANUT PAINT COMPANY**Adjusted Trial Balance**

As at 30 June 2016

	Debit (RM)	Credit (RM)
Cash	35,000	
Accounts Receivable	3,100	
Equipment	14,200	
Accumulated Depreciation - Equipment		2,000
Accounts Payable		1,600
Unearned Rent Revenue		850
Amber's Capital		40,000
Amber's Drawing	3,000	
Commission Revenue		7,600
Rent Revenue		5,700
Depreciation Expense – Equipment	200	
Salaries Expense	1,800	
Utilities Expense	450	
	<u>57,750</u>	<u>57,750</u>

Continued...

Instructions:

- (a) Prepare the closing entries for Peanut Paint Company as at 30 June 2016. (5.5 Marks)
- (b) Prepare the Post-Closing Trial Balance for Peanut Paint Company as at 30 June 2016. (3.5 Marks)
- (TOTAL 25 MARKS)**

QUESTION 3**Part A**

In the Conceptual Framework for Financial Reporting issued by the Malaysian Accounting Standard Board (MASB), stated that the objective of general purpose financial reporting forms the foundation of the Conceptual Framework. Other aspects of the Conceptual Framework such as reporting entity concept, the qualitative characteristics of, and the constraint on, useful financial information, elements of financial statements, recognition, measurement, presentation and disclosure, flow logically from the objective.

Instructions:

Based on the above information, answer the following questions.

- (a) Briefly explain the objective of general purpose financial reporting according to the Malaysian Accounting Standard Board (MASB). (1 Mark)
- (b) Identify and briefly explain the **TWO (2)** fundamental qualitative characteristics underlines in the Conceptual Framework issued by Malaysian Accounting Standard Board (MASB). (4 Marks)

Part B

Listed below are several independent statements that relates to the financial accounting and reporting. Identify the basic assumption or broad accounting principle that applies to each statement.

1. Ben Company stated in the financial report that the business will continue indefinitely.
2. Recording activities in accounting requires that only economic transactions that can be expressed in terms of money should be included in accounting record.
3. Langkawi Travel Company is required to disclose all information that could affect decisions in the financial report.
4. Gadara is the single owner of The Boat Co. She withdrew cash RM11,000 for a personal vacation trip to Europe. This was recorded as owner's drawings in the business.

5. Blades Company prepares their financial reports yearly according to fiscal year.
6. Mechanic Core Company depreciates its mechanic equipment over their useful lives.
7. In the Statement of Financial Position, Maya recorded the building at the cost of RM300,000, even though current value of the building is RM350,000.
8. Cinta Puri Corporation records revenue when performed services to customer, rather than when cash received or not received.

(8 Marks)

Part C

The following terms related to the fundamental qualities of useful information. Identify the correct term with the descriptive statement below.

(a)	Feedback value	(e)	Faithful representation
(b)	Neutrality	(f)	Timeliness
(c)	Predictive value	(g)	Verifiable
(d)	Relevant	(h)	Periodicity

1. Helps users make predictions about ultimate outcome of past, present and future events
2. Accounting information that is truthful and unbiased toward one position or another.
3. Providing information before users loses its capacity to influence by their decision.
4. Independent users can obtain the same results when given the same information and using the same measurement methods reported.
5. Providing information that is capable in making a difference in a business decision.
6. Provide information that honestly represents what really happened.
7. Help users to confirm or correct prior expectations.

(7 Marks)

Part D

Indicate which of those concepts and principles violated in each of the following situations:

1. The owner of old folk's home bases its accounting records on the assumption that the centre is going bankrupt at any time. The old folk's home however, has a long record of service to the community.
2. A printing company varies its accounting methods each year to report the maximum amount of net profit possible under accounting standards.
3. All expenses for Car Wash Services are reported as the owner records them, rather than when related revenues are earned.

Continued...

4. In the month of December, a construction firm signs a two-year contract to build a shopping mall building, which will start in January next year. The firm immediately records the full contract price as revenue in December current year.
5. KKKL Bus Company purchased fixing tools at a cost of RM6,000. Even though the tools will be used for long term, the company recorded the purchase as an expense.

(5 Marks)

(TOTAL 25 MARKS)

QUESTION 4

Part A

Marion Kay has worked for Dr. Philip at Philip Medical Clinic for several years. Marion demonstrates a loyalty that is rare among employees. She has not taken any vacation leave ever since she started working at the clinic. One of her primary duties at the medical office is to open the mail and list the checks received. She also takes cash from patients at the cashier window as patients leave. At times it was so hectic that Marion sometimes did not manage to give each patient a receipt for the cash paid on their accounts. She assures them that she will see to it that they receive the proper credit. During normal hour when there is no or less patience, Marion offers to help Alex, the official cashier at the clinic, to post the payments to the patients' accounts receivable. Alex is always happy to receive her help, because she is a very competent worker.

Instruction:

Identify and briefly explain any **FOUR (4)** principles of internal control that may be violated based on the above situation, from the perspective of Marion Kay and Alex's duties.

(8 Marks)

Part B

Using the code letters below, indicate how each of the items listed would be handled in preparing Bank Reconciliation.

Code:

- A Add to cash balance per books
- B Deduct from cash balance per books
- C Add to cash balance per bank
- D Deduct from cash balance per bank
- E Does not affect the bank reconciliation

Items:

1. Outstanding checks.
2. Check for RM120 correctly written and paid by the bank but incorrectly entered in the cash payments journal for RM210.

3. Check for RM486 correctly written and paid by the bank but incorrectly entered in the cash payments journal for RM468.
4. Petty cash custodian has RM71 in paid petty cash vouchers that have not been reimbursed.
5. Bank charged a check against the company which should have been charged to another company.

(5 Marks)

Part C

Serene Santorini Company's Bank Statement for the month of June 2016 showed ending balance per bank of RM7,250. The company's Cash account in the general ledger had a balance of RM6,959 as at 30 June 2016. Other information as follows:

- (1) Cash receipts for 30 June 2016 recorded on the company's books were RM1,450 but this amount does not appear on the bank statement.
- (2) The bank statement shows a debit memorandum for RM20 for cheques printing charges.
- (3) Check No. 21 payable to Orton Company was recorded in the cash payments journal and cleared the bank for RM435. A review of the accounts payable subsidiary ledger shows a RM18 credit balance in the account of Orton Company and that the payment to them should have been for RM453.
- (4) The total amount of cheques still outstanding as at 30 June 2016 amounted to RM2,100.
- (5) Cheque No. 34 was correctly written and paid by the bank for RM306. The cash payment journal reflects an entry for Cheque No. 34 as a debit to Accounts Payable and a credit to Cash in Bank for RM360.
- (6) The bank returned an NSF cheques from a customer for RM1,820.
- (7) The bank included a credit memorandum for RM1,400 which represents collection of a customer's note by the bank for the company; principal amount of the note was RM1,400 and interest was RM27. Interest has not been accrued.

Instructions:

- (a) Prepare the Bank Reconciliation of Serene Santorini Company as at 30 June 2016.
(7.5 Marks)
- (b) Prepare any adjusting entries necessary as a result of the bank reconciliation.
(4.5 Marks)

(TOTAL 25 MARKS)

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